

Message Text

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PAGE 01 STATE 136931
ORIGIN EB-08

INFO OCT-01 AF-10 ISO-00 TRSE-00 AID-05 CIAE-00
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R 302351Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY KINSHASA

C O N F I D E N T I A L STATE 136931

E.O. 11652: GDS

TAGS: EFIN, CG

SUBJECT:IMF STAFF VIEWS ON ZAIRE

1. ON MAY 25 THE IMF TEAM RECENTLY RETURNED FROM KINSHASA, WHERE THEY HAD DISCUSSED POSSIBILITY OF NEW IMF STANDBY, BRIEFED STATE AND TREASURY STAFF ON THEIR VISIT. AS COULD BE EXPECTED, OVERALL ASSESSMENT WAS VERY GLOOMY. EVEN BEFORE RECENT EVENTS IN THE KOLWEZI AREA, THE TEAM DOUBTED IT WOULD HAVE BEEN POSSIBLE TO REACH AGREEMENT ON AN IMF ENDORSED PROGRAM WITHOUT MAJOR POLICY DECISIONS ON THE PART OF THE GOZ.

2. THE TEAM NOTED THAT THE GOZ BUDGET SITUATION WAS QTE WORSE THAN EVER UNQTE. IN EFFECT, THE CONCEPT OF A BUDGET HAD LITTLE RELEVANCE TO ACTUAL PRACTICE. THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 136931

TEAM ALSO NOTED THAT THERE DID NOT APPEAR TO BE MUCH PROGRESS IN SECURING GREATER REPATRIATION OF EXPORT RECEIPTS, PARTICULARLY IN REGARD TO COFFEE EXPORTS. THEY ALSO VIEWED THE FINANCIAL POSITION OF GECAMINES AS EXTREMELY SERIOUS. ON THE BRIGHT SIDE, THE FUND TEAM REPORTED MAJOR IMPROVEMENT IN THE GOZ'S ORGANIZATION AND COLLECTION OF DEBT STATISTICS. ALTHOUGH MOST DEBTS

ARE NOT BEING PAID, THE GOZ NOW HAS AN ACCURATE RECORD OF WHAT SHOULD HAVE BEEN PAID.

3. THE MESSAGE THE FUND TEAM LEFT WITH THE GOZ WAS THAT IF AND WHEN THE GOZ DECIDED TO TAKE FURTHER ACTION THE FUND WOULD BE WILLING TO CONTINUE CONVERSATIONS. THE GOZ INDICATED THEY WOULD FOLLOW-UP ON THIS POINT, AND THAT MR. BOFASSA WOULD LIKELY COME TO WASHINGTON WHENEVER THE GOZ WAS READY TO RESUME THE DIALOGUE.

4. RECENT EVENTS IN THE KOLWEZI AREA HAD OF COURSE DEALT A MAJOR BLOW TO THE ZAIRIAN ECONOMY. SPEAKING ON A PERSONAL BASIS, IMF STAFF REPRESENTATIVES SAW LITTLE THE IMF COULD DO IN THE CURRENT SITUATION. IN THEIR VIEW, THE THREE URGENT TASKS WERE (1) RESTORATION OF SECURITY IN KOLWEZI, (2) THE PROVISION OF LARGESCALE ECONOMIC ASSISTANCE ON GRANT TERMS, AND (3) A RESCHEDULING OF THE EXTERNAL DEBT PAYMENTS OWED TO PUBLIC AND PRIVATE CREDITORS. ON THE DEBT ISSUE, THEY POINTED OUT THAT THE PROPOSED CITIBANK ARRANGEMENT WITH THE GOZ -- IN WHICH THE GOZ WOULD HAVE TO MAKE PAYMENTS OF APPROXIMATELY 200 MILLION DOLLARS IN ORDER TO GET A MEDIUM TERM LOAN OF UP TO 218 MILLION DOLLARS -- MADE LITTLE SENSE IN CURRENT CIRCUMSTANCES.

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PAGE 03 STATE 136931

5. ABOVE IS FOR YOUR INFORMATION ONLY. YOU SHOULD NOT INDICATE ANY DISCUSSIONS BETWEEN IMF STAFF AND USG HAVE TAKEN PLACE. VANCE

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